

May 21, 2003

The Honorable Dennis J. Hastert
Speaker of the House
Office of the Speaker
Rm. H-232, The Capitol
Washington, DC 20515

The Honorable William Frist
Majority Leader
U.S. Senate
Rm. S-230, The Capitol
Washington, DC 20510

Dear Speaker Hastert and Majority Leader Frist:

I am writing to express my deep concerns regarding the Medicaid and Medicare provisions that were included in the recently passed Senate tax bill.

The inclusion of these provisions in any final agreement between House and Senate conferees would make it very difficult for myself, and several other Members of the Energy & Commerce Committee, to support this legislation when it comes to the floor. As you may know, several of the Senate's proposals reflect seriously flawed policies, are wholly inappropriate for inclusion in tax legislation, and should be properly vetted through the appropriate Committees of jurisdiction, prior to their consideration by the House of Representatives.

The two provisions that are of the greatest concern are the \$10 billion increase in the Medicaid federal medical assistance percentage (FMAP) and the reduction in reimbursements for Medicare-covered drugs. As you may know, the Administration and the nation's governors have both recently expressed their support for efforts to strengthen and improve the Medicaid program. The amendment adopted by the Senate, however, fails to include any measures to reform Medicaid. Instead, the Senate has opted to simply provide a large infusion of federal dollars, using a funding mechanism that the General Accounting Office has recently noted contributes to placing the Medicaid program at "high risk for waste and abuse."

The Senate proposal for reforming Medicare's reimbursements for physician-administered drugs is equally troubling. By failing to include any provisions that would allow for the adjustment of payments to physicians who administer drugs, the Senate proposal places Medicare patients at grave risk of having their access to quality chemotherapy and related services sharply reduced. As you may know, I have been working closely with Ways and Means Chairman Thomas and Members of both of our Committees to resolve this difficult issue. We expect to have a final proposal prepared within the next two weeks that will take into account many of the concerns identified by physicians, while also eliminating the excessive payments for drugs. I believe this approach is far superior to the one included in the Senate legislation, and hope that we will have the opportunity for our proposal to be considered in another package.

While strongly supporting the President's efforts to enact tax-reforms, I will be unable to support any tax legislation that contains these Medicaid and Medicare drug provisions described above. I strongly urge you to encourage the House and Senate conferees to work to eliminate these provisions, so that the Members of the Energy & Commerce Committee and I can support you and the President on this important piece of legislation.

Sincerely,

W.J. "Billy" Tauzin

Chairman